

Status of higher education and education loan in india with special reference to Punjab

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ABSTRACT

Economic growth of every country to a great extent depends upon education level of the country. Higher education enrolment ratios and higher GDP per capita are strongly correlated. *India's higher education* system is the third largest in the world and is rapidly growing over the years. But unfortunately, there are several issues and challenges like access, equity, efficiency and excellence in higher education which has to be tackled efficiently (Prakash, 2007). Out of these, access can be achieved only if higher education is affordable to all. To make it accessible and affordable, IBA (Indian Bank Association) prepared a Model Educational Loan Scheme in the year 2001 which was recommended to banks for implementation by Reserve Bank of India. This education loan scheme is gaining popularity now a day. With this background, the paper discusses the status of higher education and education loan in India with special reference to Punjab. Data shows that higher education institutions and enrolments are increasing with time and in line with this, percentage of education loan is also growing.

Keywords: Higher education, Punjab, education loans, institutions and growth

Education is a key requirement for development and growth (Bassanini & Scarpetta, 2001; Solow, 1956, 1957; Vinod & Kaushik, 2007). The level of education in different countries is almost perfectly correlated to their economic status. It is also a significant causal factor in growth (UNESCO/OECD, 2002; World Bank, 2002). The higher the amount of human capital a country has, the

higher is its relative standard of living. Education is also influenced by poverty and development (Tilak, 2002; Bhatta, 1998). It generates a wide range of other social benefits such as better health, less crime, and lower unemployment levels and it not only yields a high social return, it is also an attractive investment.

Indian higher education system is the third largest in the world, next only to China and the United States. The higher education system in the country grew rapidly after independence (Agarwal, 2006). It has experienced unprecedented growth over the years. There is a huge demand for university education and over the past few decades, India has witnessed a phenomenal growth in the number of universities and colleges. The growth is even more pronounced in case of Professional colleges

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(e.g. engineering, management and medicine.). All this resulted in an increasing trend towards privatization (Gupte, 2015). Due to privatization there is hike in fee leading to introduction of education loan scheme which facilitates the students to enter into professional colleges. The present paper analyses the growth of higher education and education loan in India in light of the present education loan scheme.

Objectives

1. To analyze the trends in growth of higher education in terms of:
 - (a) Number of universities/ institutions.
 - (b) Number of colleges.
 - (c) Enrolment of students (GER as an indicator).
2. To study the growth of education loan and examine the relationship between higher education and education loan.
3. To look into the present education loan scheme and milestones by the Government of India in education loan scheme till date.

Methodology

The present paper is based on secondary data. The required data and information regarding various aspects of higher education and education loan in Punjab and India has been collected from State Government documents, State Level Banker Committee, related journals, MHRD, AISHE, economic survey and UGC annual reports.

Higher Education in Punjab

As per Census 2011, Punjab has a total population of 2, 77, 04,236 out of which 1, 46, 34,819 are males and 1, 30, 69,417 are females. The Population of Punjab constitutes 2.29% of total population of India, making it the 15th most populated state in India. Out of total population of Punjab, 62.52 % are from rural areas and 37.48 % are from urban areas.

Table 1: Literacy Rate

Year	2011 Census	
	India	Punjab
Male	80.9	80.4
Female	64.6	70.7
Total	73.0	75.8

Source: www.punjabdata.com/Literacy-Rate-In-Punjab.aspx

As shown in Table 1 literacy rate in Punjab is 75.8% which is better than the national average of 73.0% and the male literacy rate is 80.4% which is slightly less than the national average of 80.9%, but the female literacy rate in Punjab is better than that of India.

Higher education in Punjab has a very long and rich history (Kaur, 1992). Its expansion and accessibility to the general people was very limited. After the reorganization of Punjab in 1966, the state Government has made many efforts to develop and expand educational facilities in the state. All these efforts, though limited in nature, led to establishment of large number of colleges both in the public sector and in the aided private sector.

Table 2: Growth of Higher Education Institutions and Enrolment

Year	No. of Universities		No. of Colleges		Enrolment	
	India	Punjab	India	Punjab	India	Punjab
31-03-2009	425	11	25951	569	15768417	335407
31-03-2010	493	11	31812	853	17243352	388184
31-03-2011	523	12	32964	852	18670050	469870
31-03-2012	574	13	35539	978	20327478	511678
31-03-2013	628	18	37204	1004	22302938	519650
31-03-2014	666	19	39671	1004	23764960	536604
CAGR	9.06	11.29	9.39	11.39	8.81	9.85

Source: various UGC Annual Reports

Table 2 shows the growth of universities, colleges and student enrolment from 2009-2014 at both national and state (Punjab) level. Specifically in Punjab number of universities, colleges and student enrolment grew at CAGR of 11.29 %, 11.39% and 9.85 % respectively. This linear increase in enrolment would not have been possible without the growth in the number of institutions of higher learning and intake capacity of courses (UGC Annual Report 2013-14). The Government of India set the target to achieve 30% Gross Enrolment Ratio (GER) at the end of (2020). This target can be achieved if every eligible student enters into higher education and this is possible only if higher education is affordable to every level of income.

At the national level, higher education grew at a snails' pace in institutional capacity since independence. At the time of independence, there were only 20 universities and 500 colleges in the country with 2.1 lakh students in the higher education system. But, after independence phenomenal growth was witnessed in all these numbers. At present in 2013-14, there are 666 universities and 39671 colleges in the country with 23.7 lakhs students enrolled in these institutions (UGC Annual Report 2013-14).

In Punjab, at the time of its reorganization in 1966, there were just three universities and 84 affiliated colleges providing general higher education in the state (Ghuman, Singh and Brar, 2009). In 1970-71, number of state universities in Punjab increased to four (Ghuman, Singh and Brar, 2006). These state universities of Punjab were: (i) Punjab University, Chandigarh (1948); (ii) Punjab Agricultural University, Ludhiana (1962); (iii) Punjabi University, Patiala (1962) and (iv) Guru Nanak Dev University, Amritsar (1969). At present (2013-14), there are 19 universities both state and private and 1004 colleges with around 5 lakhs student enrolled in these institutions. Following is the list of institution in Punjab as on 31 March 2014 according to annual report of UGC (2013-2014).

Central Universities

1. Central University of Punjab, Bathinda

State Universities

1. Baba Farid University of Health Sciences, Faridkot
2. Guru Nanak Dev University, Amritsar
3. Guru Angad Dev Veterinary & Animal Sciences University, Ludhiana
4. Guru Ravidas Ayurved University, Jodhmal, Hoshiarpur
5. Punjab Agricultural University, Ludhiana
6. Punjab Technical University, Jalandhar
7. Punjabi University, Patiala
8. The Rajiv Gandhi National University of Law, Patiala

(There are two more state universities which are not in the list, Punjab University, Chandigarh it is mentioned under the head NCT of Chandigarh and Maharaja Ranjit Singh State Technical University formerly part of Punjab Technical University (PTU).

State Private Universities

1. Adesh University, Bathinda
2. Chandigarh University, Mohali
3. Chitkara University
4. D.A.V. University, Jalandhar
5. Desh Bhagat University Mandi Gobindgarh
6. Guru Kashi University, Bhatinda
7. Lovely Professional University, Jalandhar
8. Sri Guru Granth Sahib World University, Fatehgarh Sahib

(There are 4 more private universities in punjab which are established after 31st march 2014, Rayat Bahra University, Sahauran (Greater Mohali), GNA University, Phagwara, Sant Baba Bhag Singh University, Jalandhar and Akal University).

Institutions Deemed to be Universities

1. Sant Longowal Institute of Engineering and Technology (SUET), Sangrur
2. Thapar Institute of Engineering & Technology, Patiala

University mix

There has been a significant increase in the number of private universities in India from 21 to 175 in between 2008-09 to 2013-14. In case of Punjab, increase in private universities took place from 1 to 8 in these years.

Table 3

Universities/Institutions	India	Punjab
Central Universities	45	01
State Universities	313	08
State Private Universities	175	08
Institutions Deemed to be Universities	129	02
Institutions established through State Legislation	4	00
Total	666	19

Source: UGC Annual Reports

In the higher education sector most of the growth took place in private unaided colleges or in self financing institutions. Many Government funded institutions/universities have granted recognition to unaided colleges and many universities have authorized new 'self-financing' courses even in Government and aided colleges (Goel, 2015). In this way, there has been a rapid expansion of private higher education in the country as well as in the state. But with this private expansion, higher education became a costly affair for the poor and middle income people. To make higher education affordable to every income level, Government of India started education loan scheme in 2001, which is currently in operation.

Education Loans

Access and affordability of higher education, including professional education, is a complex problem in India. In 1991 economic reforms were introduced in India. These reforms included both structural adjustments and stabilization policies and also a fiscal squeeze is experienced in all social sector investments. With

macro economic reforms resulting in severe cuts on the education budget, the Government directed the shift of resources from higher to primary education. As a result, Government made cut in the budgetary allocation to higher education (Rani, 2004). The Government expenditure on higher education per student in real terms also declined (Rani, 2014). It can be noticed from the approach paper to the Tenth Five-year Plan and Tenth plan document that, "Since budget resources are limited, and such resources as are available, need to be allocated to expanding primary education, it is important to recognise that the universities must make greater efforts to supplement resources from the Government" (Rani, 2004). With this withdrawal of Government support to finance higher education, private institutions came up and also Government aided universities and colleges introduced the self financing courses. All these developments added to the cost of education significantly and restricted the talent coming from the poor families to go for higher education. The weaker sections of the society lagged behind (Agarwal, 2006). In fact, disparities in gross enrollment ratio (GER) in higher education across the area, gender and social category in India have provided testimonial proof of emerging ground realities. To complement the increase in fees the Government announced a new education loan program in April 2001 (Gupte, 2015). The education loan scheme provides loans for studies in India as well as abroad. This education loan scheme is a part of the priority sector advances of the Public Sector Banks in India therefore banks have been instructed to lend at least 40% of their total loans to sectors such as education, housing and small industries. Education loan has a significant effect in development of Indian education sector because educational institutes started increasing after education loan was introduced. SBI (State Bank of India) & PNB (Punjab National Bank) both have education loan income at increasing rate which was significant part of the total income (Dhiman & Khurana, 2011). Following is the growth of education loans in India from 2001 to 2013 and their share in priority sector lending of the Public Sector Banks in India.

Table 4: Education Loan in Priority Sector Lending in India

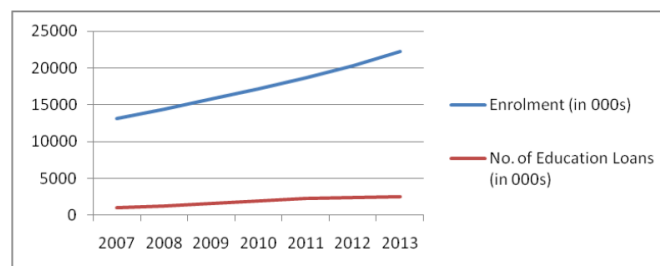
Year	Number of Education Loan Accounts (in thousands)			Number of Education Loan Amounts (in Crore)		
	Total PSA	Education loan	% of education loan to total PSA	Total PSA	Education loan	% of education loan to total PSA
2001	28776	112	0.39	149116	1028	0.69
2002	25790	157	0.61	171485	1527	0.89
2003	27273	239	0.88	200169	2870	1.43
2004	30081	347	1.15	244456	4179	1.71
2005	31374	470	1.5	307046	6398	2.08
2006	35840	641	1.79	409748	10804	2.64
2007	38908	1002	2.58	521376	14012	2.69
2008	40074	1215	3.03	610450	19748	3.23
2009	42543	1568	3.69	724149	27002	3.73
2010	45783	1911	4.2	863778	35855	4.15
2011	48339	2211	4.6	1021495	41341	4.05
2012	53183	2373	4.5	1124148	46727	4.16
2013	58804	2479	4.2	1283411	50927	3.97

Source: Various Economic Surveys PSA stands for Priority Sector Advances

It is evident from the Table 4 that the education loan market has risen over the years. To begin, the education loan accounts (in thousands) increased nearly 6 times from 2001 to 2006 and 22 times from 2001 to 2013. The increase rate in 2006 to 2013 was 4 times more as compared to 2001 to 2006. If we see, education loan as part of total priority sector advances (PSA), it is clear from the table that in 2001 it was just 0.39%, which shot up to 4.6% in 2011. In recent years i.e. in 2012, 2013 this percentage was slightly less 4.5 and 4.2 as compared to 2011. But still it comprised over 4% of total priority sector loans which indicates as a significant increase in education loan market in future. This rise in education loan accounts may be due to increase in enrolment of students in higher education institutions and also the fact that students are going abroad for higher studies.

Analysing, amount of education loan (in crore) based on the Table 4, it is clear that there is significant increase in outstanding amount over the years. For example during 2001, ₹ 1 thousand crore of amount was paid out by banks through education loan while it was over ₹ 10 thousands crore in 2006. There was 10 times increase from 2001 to 2006. Again amount was on rise with figure of around 20 thousands crore in 2008. Interestingly, it

was enormous rise in two years almost the double the amount paid out for education loan. In 2013 the amount was Rs. 50 thousand crore again a substantial rise in amount. Among the various headings of priority sector lending educational loan added up over 2 per cent, in 2005 and it doubled in 5 years. But after 2012, there was slight decrease in share of education loan in priority sector, from 4.16% to 3.97 % as compared to other years. Predominantly, education loan has increased significantly over last 13 years, which might be because of the Government's policy and banks' pro-student loan approach.

Graph 1: Relationship between Higher Education Enrolment and Education Loan


Source: Developed from Table 2 and Table 4

Graph 1 shows that as higher education enrolments are increasing, number of education loans are also increasing from 2007 to 2013.

Pattern of education loan in Punjab

In Punjab the performance of Scheduled Commercial Banks is as follow.

Table 5: Growth of Education Loans for Punjab State for the year 2014 and 2015

Year	No of Accounts	Amount (₹ in crore)	Growth %
2014	35177	1090.64	
2015	36607	1258.55	15.39

(Source: compiled from SLBC, Punjab reports, Performance under Educational loans)

It is clear from Table 5 that education loan amount grew by 15.39% from 2014 to 2015 and the number of loan accounts also increased from 35177 to 36607 in the same period.

Punjab Government through BACKFINCO (Backward

Classes Land Development and Finance Corporation) decided to provide education loan to the girls belonging to the backward classes at 3.5 per cent interest rate. The Chairman of BACKFINCO, Om Parkash Kamboj said that it aimed at providing an opportunity to the girls of Backward Classes to get higher education with a view to raise their socio academic status. (Punjab News Express, July 17, 2015)

Milestones in Education Loan Scheme of the Indian Banks Association

The Government sponsored National Loan Scholarship Scheme had started in 1963 but was discontinued in 1991 because rate of recovery was very low. After a long period, in 2001 Government of India prepared a Model Educational Loan Scheme which is currently in operation with modifications from time to time. The objective of the scheme was to provide financial support from the banking system to meritorious students, though poor, for pursuing higher education in India and abroad. Following is the list of developments in education loan scheme and status of education loan scheme from its inception till date.

Table 6:

Year	Milestones
1963	National Loan Scholarship Scheme was started.
1991	National Loan Scholarship Scheme was stopped because of low recovery rate.
2001	Model Educational Loan Scheme was started which is currently in operation.
2004-05	Changes in the security norms applicable to education loans with limits above 4,00,000 and up to 7,50,000
2009	to provide at least 0.50% concession in interest rates on Education Loans to girl students for pursuing higher education in India and abroad.
2009-10	New Central Scheme to provide full interest subsidy during the period of moratorium on educational loans for students belonging to economically weaker sections (with parental family income from all sources of less than Rs.4.5 lakh annually), from scheduled banks. The loans are for pursuing of studies in professional/technical streams from recognized institutions in India, up to a Rs.10,00,000.
2012	Revised Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad
2013-14	Scheme of Interest Subsidy on Education Loans for Overseas Studies for the students belonging to the Minority Communities
Upcoming	Government is proposing to establish a Credit Guarantee Fund Trust to administer and operate Credit Guarantee Fund Scheme for educational loans granted by banks uptoRs.7,50,000 without any collateral security and third party guarantee.

Present Education Loan Scheme of the Indian Banks Association

Education Loan Scheme is being run by the Public

Sector Banks of India since 2001 under different names and with small variations. The features of education loan scheme are given in the following table.

Table 7

Features	Details
Eligible courses	<p>Studies in India:</p> <p>All job oriented courses; graduation/post graduation and diplomas conducted by recognized colleges/ universities recognized by UGC/ Govt./ AICTE/ AIBMS/ ICMR etc., Courses like ICWA, CA, CFA etc., Courses conducted by IIMs, IITs, IISc, XLRI, NIFT, NID etc., Regular Degree/Diploma courses like Aeronautical, pilot training, shipping, degree/diploma in nursing or any other discipline approved by Director General of Civil Aviation/Shipping/ Indian Nursing Council or any other regulatory body as the case may be, if the course is pursued in India. Approved courses offered in India by reputed foreign universities.</p> <p>Studies abroad :</p> <p>Graduation: For job oriented professional/technical courses offered by reputed universities. Post graduation: MCA, MBA, MS, etc. Courses conducted by CIMA- London, CPA in USA etc., Degree/diploma courses like aeronautical, pilot training, shipping etc provided these are recognized by competent regulatory bodies in India/ abroad for the purpose of employment in India/abroad.</p>
Expenses covered for loan	<p>Fee payable to college/ school/ hostel, Examination/ Library/ Laboratory fee, travel expenses/ passage money for studies abroad, insurance premium for student borrower, if applicable, caution deposit, Building fund/refundable deposit supported by Institution bills/receipts, Purchase of books/ equipments/ instruments/ uniforms, Purchase of computer at reasonable cost, if required for completion of the course, Any other expense required to complete the course - like study tours, project work, thesis, etc and while computing loan required, scholarships, fee waiver etc., if any available to the student borrower may be taken into account.</p>
Amount of loan	<p>For studies in India, maximum `10 lakhs Studies abroad, maximum `20 lakhs</p>
Margin	<p>Up to 4 lakhs - Nil Above 4 lakhs Studies in India - 5% Studies Abroad - 15%</p> <p>Scholarship/ assistantship to be included in margin and Margin may be brought-in on year-to-year basis as and when disbursements are made on a pro-rata basis.</p>
Security	<p>Up to 4 lakhs Parents to be joint borrower(s) No security</p> <p>Above 4 lakhs and up to 7.5 lakhs Besides the parent(s) executing the documents as joint borrower(s), collateral security in the form of suitable third party guarantee will be taken. The bank may, at its discretion, in exceptional cases, waive third party guarantee if satisfied with the net-worth / means of parent/s who would be executing the document as joint borrower(s).</p> <p>Above 7.5 lakhs Parent(s) to be joint borrower(s), Tangible collateral security of suitable value acceptable to bank, along with the assignment of future income of the student for payment of instalments.</p>

Rate of interest	Interest to be charged at rates linked to the Base rate as decided by individual banks and simple interest to be charged during the study period and up to commencement of repayment.	
Processing fees	No processing / upfront charges may be levied on loans sanctioned under the scheme. (Banks may charge processing fee for considering loans for studies abroad. The fee would however, be refunded upon the student taking up the course)	
Grace period	One year after completion of course or six months after securing a job, whichever is earlier	
Repayment period	For loans up to 7.5 lakhs	- up to 10 years
	For loans above 7.5 lakhs	- up to 15 years
Insurance	Banks may, with the consent of the student, arrange for life insurance policy on the students availing Education Loan. Individual Banks may work out the modalities with insurance companies.	

Challenges for Education Loans

Easy credit availability is instrumental for increase in higher education enrolment. But the bankers perceive education loans as high-risk products that contribute to their non-performing assets. Government of India has made many conscientious efforts to promote education loan scheme from time to time. But the general response to the scheme has been poor; it is not so popular among Indians. This could be attributed to the following reasons:

1. High rates of interest.
2. Less popularity and awareness among students and parents.
3. Short Repayment Period.
4. Qualification of minimum level of income.

Conclusion

The present research paper throws light on the growth of higher education sector and education loan in India with special reference to Punjab. It has been observed that there is a linear increase in the number of higher education institutions, student enrolment and education loans. In Punjab there is also an increasing trend is seen with regard to expansion of educational institutions and education loan. In response to the issues of higher education, strategies such as evaluation and review of growth of higher education sector is a must. To ensure affordability of higher education to all, Government has launched education loan scheme and made

improvement from time to time to fulfill the needs of the students.

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